



STATE OF MINNESOTA

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Testimony to the House Agriculture Committee Hearing

The Honorable Tim Pawlenty, Governor of Minnesota

March 15, 2004

Rochester, Minnesota

Chairman Gutknecht, Congressman Dooley and Congressman Smith, it is an honor to be with you today.

Agriculture in America has gone through an amazing transformation. During the last century, our farmers moved from working their fields to feed their families to feeding the world. In the last couple of decades, agriculture has branched out into a whole host of new arenas that provide markets for American crops, create jobs for American workers, and offer new products for consumers here and around the world.

We're here today to talk about one of the most exciting and promising of those areas – energy.

Let me begin by praising this committee and the Bush Administration for understanding the connection between agriculture and energy – and the promise it holds for creating jobs in rural America. The 2002 Farm Bill was the first in history to contain a separate energy title, which underscores this commitment and shows the new face of agriculture.

It's appropriate that you've come to Minnesota to discuss this issue. This is a state that has long understood and realized the enormous potential energy has for agriculture and economic development.

In addition to creating jobs and keeping energy dollars here in Minnesota, our focus on renewable energy is helping us meet our goals of reducing the amount of pollution per megawatt of electricity generated and consumed. Protecting the environment is important to Minnesotans.

I want to focus on three areas, in particular, where Minnesota has been a real leader in renewable energy development: wind, ethanol and E-85, and bio-based renewable energy technologies.

Wind

Minnesota ranks third in the nation – behind only California and Texas – in terms of wind energy capacity. Last year, we installed more new wind power capacity than any other state.

The advancement of wind generation technology has made it feasible to develop wind farms in areas that were unfeasible just five years ago – areas such as southeastern and south central Minnesota.

Last legislative session, we took additional action to encourage and support the expansion of wind energy by increasing the cap on state renewable energy production incentives. Utilities in Minnesota are required to give customers the option of “green pricing,” or giving customers the option of buying energy with positive environmental attributes. In addition, we have property tax exemptions, a sales tax exemption, and wind energy rebates, funded by our Legislative Commission on Minnesota Resources. With current state policies, we have the potential to nearly triple our wind energy generation capacity to 3,000 megawatts by 2015.

Unlike conventional power plants, wind farms are spread out, which means their economic impact is felt more widely and almost exclusively in rural areas.

Ethanol/E-85

The next area in which Minnesota has been a leader is ethanol. I’m pleased to have just taken over as Vice Chairman of the Governors’ Ethanol Coalition, a group of governors and leaders of ethanol-producing countries working to expand the production and use of ethanol.

One of the best ways to add value to the corn we grow in the United States is by producing ethanol. The dream of ethanol was for small producers to be able to invest in the processing of their crops and reap its reward. There is no state in the nation in which this dream has been better realized.

Minnesota is the only state in the nation to mandate that all fuel sold in our state contains ten percent ethanol – year-round. This creates an instant market for millions of gallons of ethanol that helps drive the industry’s expansion.

We have the nation’s strongest farmer-owned ethanol production system. The State has been very progressive in working to ensure that ethanol is a way of boosting farm income and our rural economy, rather than just the bottom line of multi-national corporations. Make no mistake, the investment and commitment of multi-national corporations has played a critical role in ethanol development, but empowering producers and communities makes ethanol production a more effective and viable tool in reinvigorating rural Minnesota.

At the state level, we also have a generous program to support producers of ethanol by providing a producer payment of 13 cents per gallon. This support has been critical to growing the industry. Just last week, we announced that a new ethanol plant is being built near Lake Crystal. Interestingly, it will be the first producer-owned plant in Minnesota that will not receive this producer payment, countering those critics who suggest that the ethanol industry is not growing in viability and its ability to sustain itself.

Our state produces 400 million gallons of ethanol, or 20 percent of the nation’s ethanol. We’re a national leader in developing an infrastructure for E-85 – gasoline that is 85 percent ethanol, rather than just ten. There are more than 80 refueling stations in our state, making E-85 vehicles a realistic option for people in Minnesota. This infrastructure has enabled us to double E-85 consumption each year. Nearly two million gallons of E-85 were sold in Minnesota in 2003.

And as President Bush and others push expanded use of hydrogen as an environmentally-friendly fuel, cutting edge research at the University of Minnesota has developed an inexpensive method to produce renewable hydrogen from ethanol.

We intend to make sure Minnesota is at the front end of the hydrogen revolution just like we’ve been at the forefront of the ethanol revolution.

Bio-based Renewables

There are other bio-based renewable fuels that hold great promise.

Several years ago, we were the first state in the nation to pass a requirement that all diesel fuel sold in Minnesota contain two percent biodiesel to meet federal clean air requirements. It starts next year and will create a market for 16 million gallons of the soybean-based fuel. The Commissioner of Agriculture formed a Biodiesel Task Force last year to work with the industry and developers to ensure that production capacity is in place once the new law takes effect.

Fortunately, the advancement of ethanol has given us good experience as we work to expand the use of biodiesel. The biodiesel requirement will rapidly accelerate

There are other examples as well:

- Haubenschild Farm near Elk River was the first in the nation to produce electricity from a methane digester, which has significant promise;
- In Little Falls, a Minnesota company is working to develop a biomass gasification project that will use all the waste from the ethanol plant and two lumber mills to power the plant.

Why has Minnesota been successful?

From ethanol to biomass gasification, Minnesota has had success in turning energy into a driving force in economic development because we have a long history of government working together with the private sector to successfully leverage state, federal and private investment.

At the state level, we provide incentives for the development of wind and biomass production. We have an ambitious renewable energy goal of getting 10 percent of our energy from renewables by 2015.

At the federal level, the Department of Agriculture has made millions of dollars in investments in Minnesota renewable fuel projects. And the Department of Energy has a wide array of programs and incentives aimed at renewables and conservation.

Our renewable energy development could not have happened without state and federal support.

Now I'm a free market conservative and am not a fan of big government. But government can play an important role in getting fledgling industries, such as wind energy or ethanol, off to a good start. Government can reward and encourage innovation.

In particular, I want to urge this committee to reauthorize the Federal Production Tax Credit for wind energy. With the expiration of this credit, we've seen wind energy expansion slow significantly. Wind energy has enormous economic potential for rural America and it is good for the environment. I know Congressman Gutknecht is working hard to extend this critical piece of legislation and I urge Congress to follow his lead.

Thank you very much.